

Russell George MS

Chair, Economy, Infrastructure and Skills Committee

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2nd December, 2020

Dear Chair,

Further to your letter of 19th November, we have taken the opportunity to consider your points and have set out our thoughts below:

Dealing with each point in turn:

Jobs analysis

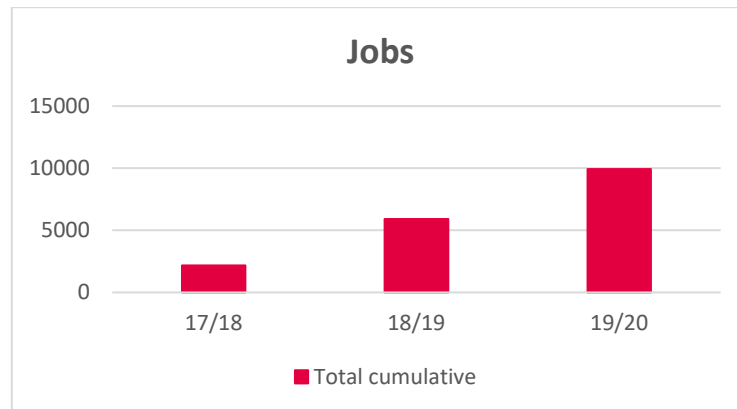
From the outset of DBW, we have sought to accurately measure the impact of our investment activity. Each fund that we deliver has associated performance indicators which are defined at the outset of the fund, and their reporting specified by its stakeholders. In the case of salary data, this has been a long term requirement of EU backed funds and we have recently extended this reporting to cover all investments. Looking at the non-property investment funds our jobs performance on both counts has continued to grow towards the five year target set by the Welsh Government in 2017.

Development Bank of Wales Plc

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Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales



Although it is correct that we are unable to combine the gender and gender split we do measure the quality of jobs created in terms of salary and our most recent data suggests that 50% of full time equivalent jobs within businesses supported by Development Bank of Wales investment are in median to high earnings.

An area of focus is to monitor the take-up of our products and services by a diverse base of entrepreneurs and we do monitor this for directors. Data shows that 29% are female and 3% BAME.

It is worth noting that in the Economic Intelligence Wales quarterly brief, a team from Cardiff Business School assessed the impact of DBW’s activity on the Welsh Economy, and drew the following conclusion:

“Every £1m of Development Bank investment can be connected to an estimated £2.3m of Welsh GVA. The Welsh GVA connected to the 800 jobs created as a result of Development Bank investments is estimated at almost £30m. The estimated Welsh GVA connected to the total of almost 2,800 jobs created and safeguarded is around £110m, however when multiplier effects are added this figure grows to more than £181m. This figure should be considered as a conservative estimate of impact as it relates to short term job and GVA effects only. Development Bank of Wales’ investments are likely to have wider and longer term impacts not fully captured by this analysis, including for example more difficult to quantify impacts on firm efficiency and productivity.”

We will continue to strive to provide better analysis of all available data in line with the challenge of not wanting to over-burden our small business customers.

Sources of Capital

The team have been working with our colleagues at the Welsh Government to best understand the funding needs in the market in light of Brexit and Covid and have moved rapidly to address both exemplified by the creation of Wales Flexible Investment Fund and Covid Wales Business Loan Scheme (“CWBLS”), to address both challenges respectively. We are also working on plans for longer term funding solutions and will be happy to provide details of these to the Committee at future scrutiny meetings.

Risk mitigation and value for money during Covid

At the launch of the CWBLS, we were acutely aware of the urgency of the demand but also the need to best secure the funding. We note the request of the committee for further detail to be provided in the next annual report.

CWBLS loan refinance

As mentioned in the Committee hearing, at the time of the launch of the Covid Business Interruption Loan Scheme (“CBILS”) guarantee mechanism by the British Business Bank (“BBB”), it was unclear to either of DBW or BBB whether publicly funded organisations qualified for the guarantee. In due course the Treasury confirmed to a number of similar applicants including DBW that it was not intended to use the public guarantee to insure public funds. It is possible that CWBLS loans could be refinanced by a CBILS lender on an individual basis and a small number of businesses initially supported by CWBLS have already taken the opportunity to repay our loan where an alternative loan has been made available. We have an on-going dialogue with the main private-sector lenders to facilitate this arrangement, where appropriate. This is not something on which we can insist unilaterally so it is entirely up to the borrower if this is something that they wish to consider.

Please do not hesitate to come back to us if you require any further information or there were other thoughts in light of this letter.

Yours sincerely,



Giles Thorley

Chief Executive